MERCER

CONTRIBUTIONS

July 2018

This fact sheet provides details about contributions, tax on contributions and the contribution limits.

TYPES OF CONTRIBUTIONS

This table shows different types of contributions and the age you can receive them in your super.

Type of contribution	You are under age 65	You are age 65 to 69*	You are age 70 to 74*	You have reached age 75
Member contributions (after-tax, including contributions for which you intend to claim a tax deduction)	Any time	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Not permitted
Compulsory employer contributions (includes Superannuation Guarantee (SG) contributions and/or contributions required by law)	Any time	Any time	Any time	Any time
Additional employer contributions (includes salary sacrifice contributions)	Any time	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Not permitted
Spouse contributions (contributions your spouse makes to your super)	Any time	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Not permitted	Not permitted
Transfers from an overseas fund	Any time	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Only if you have worked at least 40 hours over 30 consecutive days in the financial year the contribution is made	Not permitted
Downsizing contributions	Not applicable	Anytime	Anytime	Anytime

* In the 2018 Budget, the Government has proposed that from 1 July 2019, if you are aged between 65-74 with a superannuation balance of less than $300,000, you will have a one year exemption from the work test requirement for voluntary contributions to a super fund. The exemption is proposed to apply in the year after you last met the work test.

A super fund cannot accept contributions from you or for you (except contributions made by your employer) if you have not given it your Tax File Number (TFN).

There are no restrictions on receipt of Government contributions (refer to the Government contributions fact sheet at **www.ato.gov.au** for further details).

CONCESSIONAL CONTRIBUTIONS

Concessional contributions include:

- employer contributions (including compulsory SG, voluntary employer contributions and salary sacrifice) from all employers,
- personal contributions to super for which you have been able to claim a tax deduction,
- certain allocations from reserves of a super plan,
- certain contributions made by other people (excluding your spouse),
- some types of transfers from an overseas fund, and
- notional taxed contributions (if you are a defined benefit super fund member).

NON-CONCESSIONAL CONTRIBUTIONS

Non-concessional contributions include:

- contributions you make from your after-tax salary (except any such contributions for which you have been able to claim a tax deduction),
- contributions your spouse makes to your super,
- concessional contributions over the concessional contributions limit (unless refunded),
- certain amounts allocated by the trustee, and
- some transfers from an overseas fund.

A super fund can only accept these contributions if you have given it your TFN.

FIRST HOME SUPER SAVER SCHEME (SCHEME)

From 1 July 2018, you may be able to apply to withdraw part of your super to purchase a first home. The maximum amount will be calculated by the Australian Taxation Office (ATO) based on your personal voluntary super contributions, including salary sacrifice contributions, made after 1 July 2017.

You can contribute up to $15,000 per year and $30,000 in total under the Scheme. These contributions must be made within existing contributions caps (for details see *Contributions Caps* section later in this fact sheet). The calculation of the maximum withdrawal amount allows for the 15% tax payable by your fund on any salary sacrifice contributions and on any contributions for which you claim a tax deduction.

You need to meet certain conditions to be eligible for a withdrawal under the Scheme. The main eligibility rules are that you:

- must be aged 18 or over,
- must have not previously used the scheme,
- must have not owned a property in Australia (unless this condition is waived by the ATO due to financial hardship),
- intend to buy a property within 12 months from the date of the withdrawal from your fund,
- must buy a residential property and **not** a property that cannot be occupied as a residence, a houseboat, a motor home or a vacant property (unless you are planning to build),
- intend to live in the property for at least six months of the first 12 months you own it or after it is practical to move in.

The Scheme can also be used by those intending to build a home.

To make a withdrawal under the Scheme, you will need to make an application to the ATO. If eligible, the ATO will determine how much you can withdraw and arrange for the release of the money from your super fund. Any part of the withdrawal that relates to un-deducted after-tax contributions will not be subject to tax, with the remainder taxed at your marginal tax rate less a 30% tax offset.

If you do not sign a contract to purchase or commence construction of a home within the required period and notify this to the ATO, you must:

- apply for an extension of time for a maximum of a further 12 months,
- recontribute the amount (net of tax) into a superannuation fund (as a non-concessional contribution), or
- pay a tax of 20% of the assessable amount released.

Refer to the ATO website **www.ato.gov.au** for more information about these rules.

DOWNSIZING CONTRIBUTIONS

From 1 July 2018, you may be able to contribute some or all of the proceeds of the sale of your main residence into super. You must enter into the sale contract on or after 1 July 2018.

If you are aged 65 or over you will be able to make an after-tax contribution to your super up to a maximum amount of $300,000 ($600,000 for couples) using the proceeds from the sale of your main residence as long as you meet the following conditions:

- you owned the home for at least 10 years,
- the proceeds from sale are exempt or partially exempt from capital gains tax (CGT),
- you provide your super fund with the downsizing contribution form, either before or at the time of making your downsizing contribution,
- you make your downsizing contribution within 90 days of receiving the proceeds of sale,
- you have not previously made a downsizing contribution to your super from the sale of another home.

You do not need to meet the work test (see page 1) to make a downsizing contribution and these contributions are not counted against your non-concessional contribution cap (see *Contributions Caps* section later in this fact sheet).

Refer to the ATO website **www.ato.gov.au** for more information about these rules.

TAX ON CONTRIBUTIONS

The amount of tax payable on super contributions depends on:

- whether the contribution is concessional or non-concessional (described below),
- the amount of the contribution,
- whether you have provided your super fund with a TFN,
- your total superannuation balances, and
- in some cases, your income.

Concessional contributions are generally taxed at 15% when received by a super fund. The tax payable on a contribution is generally calculated after any fees and insurance premiums have been deducted from it.

Non-concessional contributions are generally tax free when received by a super fund.

Additional tax for high income earners

If your income (see below) is $250,000 or more, you will need to pay an additional tax of 15% on some or all of your concessional contributions.

If your income excluding concessional contributions is less than $250,000, the additional tax only applies to the part of your concessional contributions that take your income over the $250,000 threshold.

You will receive an assessment notice from the ATO if you need to pay this tax. You can generally pay it from your super account.

If you have defined benefits, it will generally be possible to defer tax which relates to your defined benefits. You will generally have to pay this tax (plus interest) when you receive your benefits.

Your income for contributions tax purposes includes:

- your taxable income (including the taxable component of any super benefit you receive*),
- your reportable fringe benefits,
- your total net investment loss, and
- any concessional contributions.

* If you are between preservation age and age 60 and receive a super benefit where a tax offset reduces tax on part or all of the taxable component to zero, this part of the benefit is not counted as income. This applies to amounts up to $205,000 for the 2018/2019 financial year.

No TFN tax

A super fund can’t accept contributions from you or for you (except contributions made by your employer), if you do not give it your TFN.

If you don’t give your TFN to your super fund, your fund will have to pay extra tax of 32% of all your concessional contributions and will deduct this from your account. If your fund has already paid this extra tax, you can still give your super fund your TFN. Your super fund may be able to claim the extra tax back from the ATO and put it in your super account, however there are timeframes and limitations on reclaiming backdated contributions.

If you leave your fund before submitting your TFN and your fund has paid extra tax to the ATO for you, you may be able to request a refund of this extra tax. Call the Helpline for information about this process.

Claiming a tax deduction for your super contributions

You may be eligible to claim a tax deduction for your super contributions, if:

- less than 10% of your income comes from employment as an employee (this condition applies to the 2016/17 financial year but not for later financial years),
- the contributions were received by the fund no later than 28 days after the end of the month you turned 75,
- you give a valid notice to the super fund of your intention to claim a deduction and the super fund acknowledges your notice, and
- the notice is given to the super fund by the earlier of:
    - the day you lodge your income tax return for the year in which you made the contributions, or
    - the end of the financial year following the year the contribution was made.

A notice will not be valid and you won't be able to claim if:

- the notice does not meet ATO requirements,
- you have left the super fund you are issuing the notice to,
- the trustee no longer holds that contribution for you (i.e. if you have made a partial withdrawal from your super fund, you may only be able to claim a deduction on part of your contribution), or
- the trustee has started to pay an income stream or pension to you.

Your deductible superannuation contributions plus your other concessional contributions are limited to your concessional contributions cap.

Call the Helpline for more information about claiming a deduction.

Spouse contributions tax offset

If your income (assessable income, reportable fringe benefits and reportable employer superannuation contributions) is below $37,000, your spouse may be entitled to a tax offset of 18% for contributions (up to $3,000) they make for you. If your income is between $37,000 and $40,000, they may be entitled to a reduced tax offset.

You need to meet certain conditions to be eligible for a tax offset. These include that:

- you must be living with your spouse and you must both be Australian Residents, and
- your total superannuation balance (including any pension balances but excluding any structured settlement amounts) at the prior 30 June was less than $1.6 million, and
- you did not exceed your non-concessional contributions cap for the year.

CONTRIBUTION CAPS

Contribution caps apply to all contributions made to your super within a financial year. You may need to pay extra tax on amounts in excess of these caps. If you want to avoid excess contributions, it is your responsibility to make sure that the total amount of each type of contribution to your super does not exceed the limit.

Note that avoiding excess contributions may not be possible in some circumstances e.g. if you are a high income earner and have contributions from multiple employers. To address this, the Government proposed in the 2018 budget that from 1 July 2018, if you have multiple employers and an income in excess of $263,157, you will be able elect that your pay from nominated employers not to be subjected to Superannuation Guarantee. Refer to the ATO website **www.ato.gov.au** for status and further details.

Concessional contributions cap

The base concessional contributions cap for the 2018/19 financial year is $25,000 for all individuals regardless of age.

The ATO will work out whether you have exceeded your cap and will notify you if you need to pay additional tax.

From 1 July 2019 if you have a total superannuation balance of less than $500,000 on 30 June of the previous financial year, you may be entitled to contribute more than the general concessional contributions cap and make additional concessional contributions for any unused cap amounts in the previous five years (but only counting unused caps in 2018/19 and later years).

Non-concessional contributions cap

Unless a zero cap applies (see below), the non-concessional contributions cap is $100,000 and applies to all ages.

If you are under age 65 at any time during a financial year, you can generally bring forward two financial years of non-concessional contributions and make total non-concessional contributions of up to three times the non-concessional contributions cap over a three year period.

The bring-forward provision is automatically triggered if you contribute more than the non-concessional contributions cap of $100,000.

Normally, if that contribution, plus the next two financial years' of contributions, exceeds three times the non-concessional contributions cap applicable in the year you triggered the bring forward provision, the amount over this cap will be considered an excess non-concessional contribution.

However, a different limit of $380,000 in total over the three years from 1 July 2016 may apply to you if you triggered the bring-forward provisions in the 2016/17 financial year. This is because a higher limit applied prior to 1 July 2017.

Over-riding all of the above, a non-concessional contributions cap of zero will apply if your total superannuation balance (including any pension balances but excluding any structured settlement amounts) was $1.6 million or more at the prior 30 June, along with modified bring-forward provisions if your total super balances were $1.4 million or more at the prior 30 June. Downsizing contributions are exempted from the contributions cap but still count towards the $1.6 million transfer balance cap.

Refer to the ATO website **www.ato.gov.au** for more information about these rules.

If you exceed the caps

The ATO will send you an excess contributions assessment if you exceed a cap. You can then elect to get a refund of the excess contributions (less the 15% contributions tax for excess concessional contributions).

Excess concessional contributions

- Your excess concessional contributions will be treated as assessable income and taxed at your marginal income tax rate,
- The ATO will apply a tax offset of 15% (reflecting the contributions tax paid by the super fund) that will result in you having to pay the same amount of tax overall as if you had received the excess contributions as salary,
- You will need to pay interest on the tax, as it will be collected later than income tax on your salary. The interest will be calculated from the beginning of the financial year in which the excess occurred (even if this is before the contributions were made), and
- If not refunded, the excess amount will be counted towards your non-concessional contributions.

Excess non-concessional contributions

After receiving your assessment, you can choose for your super fund to refund your excess non-concessional contributions, including 85% of notional investment earnings on those contributions. If you do not obtain a refund of your excess contributions, they will be taxed at 47%.

The ATO will count the full amount of refunded notional investment earnings as assessable income and will tax you at your marginal rate. They will, however, apply a 15% tax offset to recognise these earnings have already been taxed in the fund.

What you need to do

The ATO will tell you how to get your excess contributions refunded or pay the extra tax when they send you an excess contributions assessment. Different rules apply, depending on when the excess contributions were made and whether the assessment relates to concessional or non-concessional contributions.

If you have enough super, you can generally ask the ATO to get your super fund to pay the tax from your super account. If we pay your tax from your super, or refund any excess contributions, we will charge you a withdrawal fee.

We may not be able to pay or refund tax from any defined benefit you might have in your plan.

Call the Helpline for more information about this process.

IF YOU NEED MORE INFORMATION

Refer to the ATO website **www.ato.gov.au** for more information.